

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00

INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-04 FRB-01

INR-05 IO-10 NEA-06 NSAE-00 RSC-01 OPIC-03 SP-02

TRSE-00 CIEP-01 LAB-01 SIL-01 SWF-01 OMB-01 STR-01

L-02 AGR-05 OIC-02 /072 W

----- 065075

O R 111754Z NOV 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 4252

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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PASS CEA FOR GREENSPAN; TREASURY FOR WIDMAN, FEDERAL  
RESERVE FOR ROBERT SOLOMON

E.O. 11652: N/A

TAGS: ECON, EFIN, OECD

SUBJECT: EPC/SHORT TERM FORECASTERS MEETING, NOV. 4 - 5

REF: (A) DOCUMENT DES/NI/F(74)5; (B) OECD PARIS  
24874

1. SUMMARY. IN GENERAL, SHORT-TERM FORECASTERS DID  
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NOT TAKE SHARP ISSUE WITH SECRETARIAT'S PROJECTIONS

OF PESSIMISTIC TRENDS FOR OECD AREA'S GROWTH, UN-EMPLOYMENT, PRICES AND FOREIGN TRADE FOR 1974 AND 1975, WHICH ASSUME CONTINUATION PRE-EXISTING POLICIES. HOWEVER, GERMAN, JAPANESE AND U.S. REPS (PARTLY ON BASIS CHANGES IN POLICIES) ARGUED FOR MORE BUOYANT ECONOMIC OUTLOOK FOR THEIR COUNTRIES THAN PROJECTED BY SECRETARIAT. COUNTRIES OUTSIDE OF BIG SEVEN TENDED TO CONFIRM SECRETARIAT'S JUDGMENT THAT THIS GROUP OF SMALLER COUNTRIES LIKELY TO CONTINUE TO EXPERIENCE LESS SLOWDOWN IN GROWTH THAN MOST OF BIG SEVEN. SECRETARIAT IS NOT CHANGING ITS ECONOMIC PROJECTIONS CONTAINED IN EPC DOCUMENTS, BUT WILL MAKE ORAL REPORT ON RESULTS SHORT-TERM FORECASTER'S DISCUSSION TO EPC MEETING ON NOVEMBER 18. END SUMMARY.

## 2. REVISED FORECASTS FOR U.S.

SHORT-TERM FORECASTERS' DISCUSSIONS ON NOVEMBER 4 - 5 CENTERED ON SECRETARIAT'S PROJECTIONS IN REFDOK A (AS SUMMARIZED IN REFTEL B). ON EVE OF MEETING, SECRETARIAT CIRCULATED SOMEWHAT REVISED FIGURES FOR U.S. MADE IN LIGHT OF MORE RECENT DATA, INCLUDING PRELIMINARY RESULTS THIRD QUARTER 1974. THE REVISIONS CONSIST MAINLY OF DOWNWARD ADJUSTMENTS FOR INVESTMENT AGGREGATES AND CONSEQUENT CHANGES IN OTHER AFFECTED ITEMS IN THE PROJECTIONS. THE SECRETARIAT FEELS THAT THESE RECENT TRENDS POINT TO "SHARPER DOWNTURN FOR THE NEAR FUTURE THAN IN PREVIOUS PROJECTIONS, WITH GNP REACHING ITS CYCLICAL LOW IN SECOND QUARTER OF 1975." AT THE SAME TIME, A SOMEWHAT FASTER RECOVERY BEGINNING WITH THE SECOND QUARTER OF 1975 IS FORESEEN. THE PRINCIPAL CHANGES IN THE FORECASTS FOR THE U.S. FROM FIGURES IN REFDOK A ARE AS FOLLOWS, IN TERMS OF REAL PERCENTAGE CHANGES FROM PREVIOUS YEAR (BASED ON CONSTANT 1958 PRICES):

TABLE I

	1974	1975
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	REF. A	REVISION	REF. A	REVISION
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### GROSS PRIVATE FIXED

INVESTMENT	- 4.6	- 5.8	- U.6	- 6.4
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TOTAL DOMESTIC DEMAND	- 2.1	- 2.4	- 1.6	- 1.7
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EXPORTS	11.0	8.4	3.4	1.1
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IMPORTS	4.4	2.9	2.9	1.9
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GNP	- 1.6	- 1.9	- 1.5	- 1.7
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THE STEEPER DECLINE IN REAL GNP FROM THE SECOND QUARTER

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L-02 AGR-05 OIC-02 /072 W

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TO SECSTATE WASH DC IMMEDIATE 4253

INFO AMEMBASSY BERN

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OF 1974, BUT THE QUICKER RECOVERY BEGINNING WITH THE  
SECOND QUARTER OF 1975 IN THE REVISED FORECASTS IS  
ILLUSTRATED BY THE FOLLOWING COMPARISON PERCENTAGE  
CHANGES FROM QUARTER TO QUARTER:

TABLE II

74-3 74-4 75-1 75-2 75-3 75-4

REF. A - 0.7 - 2.4 - 2.0 - 1.2- 0.9 - 0.2

REVISION - 2.9 - 3.7 - 2.0 - 0.9 0.2 1.2

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## 3. DOMESTIC ECONOMIC ACTIVITY

DISAGREEMENT WITH SECRETARIAT'S FORECASTS FOR DOMESTIC ECONOMIC ACTIVITY, PRICE AND EMPLOYMENT TRENDS WERE MOST NOTABLE IN CASES OF U.S., GERMANY AND JAPAN. U.S. REPRESENTATIVE (FOSS) WHILE NOT OFFERING ALTERNATIVE FIGURES FOR 1975 SUGGESTED CONDITIONS IN U.S. DID NOT JUSTIFY SLOWDOWN IN ACTIVITY AND EMPLOYMENT LEVEL AS SHARP, NOR PRICE LEVEL RISES AS STEEP AS ESTIMATED BY SECRETARIAT. GERMAN REPRESENTATIVE POINTED TO RECENT POLICY DEVELOPMENTS AS JUSTIFYING SOMEWHAT HIGHER GROWTH RATE IN 1975. JAPANESE EXPERT NOTED POLICY MODIFICATION WILL BE MADE IN MID-1975 AND WAS CONSIDERABLY MORE OPTIMISTIC THAN SECRETARIAT ON BOTH PRICES AND GROWTH. WITH RESPECT TO LATTER, HE STATED FIXED INVESTMENT IN JAPAN IN SECTORS SUCH AS SHIPBUILDING, CHEMICALS AND STEEL WILL BE STRONG, LEADING TO GNP GROWTH IN 1975 IN VICINITY OF 5. SMALLER OECD COUNTRIES TENDED GENERALLY TO AGREE WITH SECRETARIAT'S FORECASTS, WITH EXCEPTIONS SUCH AS MORE BULLISH OUTLOOK BY SWEDEN AND GREATER PESSIMISM BY SWITZERLAND. AT END OF DISCUSSION, TABLES WERE CIRCULATED SHOWING FOLLOWING COMPARISONS BETWEEN PROJECTIONS OFFERED BY COUNTRY EXPERTS (COLUMN C) AND THOSE MADE BY SECRETARIAT (COLUMN S) REPRESENTING PERCENTAGE CHANGES FROM PREVIOUS YEAR. (SECRETARIAT'S FIGURES ARE USED IN AGGREGATES WHEN COUNTRIES SHOWN AS N.A.):

TABLE III - REAL GNP

	1974		1975	
	C	S	C	S
CANADA		4.75	4.50	3 2.75
U.S.	- 2	- 2	N.A.	- L.75
JAPAN	- 3	- 3.25	5	2
FRANCE (GDP)		4.50	4.75	3.75 3
GERMANY		1	1	2.50 1.50
ITALY		4.50	4.75	0 - .25
U.K. (GNP)		0	0	N.A. 1
TOTAL BIG SEVEN	- .50	- .50	.75	.25
TOTAL OECD	.25	.25	1	.50

TABLE IV - GNP DEFLATOR

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1974 1975

	C	S	C	S	
CANADA		12.50	13	9.50	12
U.S.	10	10	N.A.		10.75
JAPAN		23.75	26	13.75	14.50
FRANCE (GDP)	10		10	11	12.75
GERMANY		6	6.50	6.50	6
ITALY		N.A.	9.50	N.A.	17
U.K. (GDP)	10		10	9.75	10.50
TOTAL BIG SEVEN	12		12.50	11.50	11.75
TOTAL OECD		11.75	12	11.75	11.75

TABLE V - CONSUMER PRICES

	1974		1975		
	C	S	C	S	
CANADA		N.A.	10	N.A.	11.50
U.S.	11	11.50	N.A.		11
JAPAN		24.50	25	13	16
FRANCE		14	13.75	10	13
GERMANY		7.50	7.50	6.50	7
ITALY		20	19.25	19	20.25
U.K.		11.25	14.50	N.A.	15.75
TOTAL BIG SEVEN		13.25	13.75	11.25	12.25
TOTAL OECD		13.25	13.50	11.50	12.25

## 4. FOREIGN TRADE AND CURRENT ACCOUNT

REGARDING FOREIGN TRADE FORECASTS, DIVERGENCIES BETWEEN COUNTRY EXPERTS AND SECRETARIAT TENDED TO BE MORE PRONOUNCED THAN IN CASE OF DOMESTIC ECONOMIC INDICATORS, BUT THESE DIFFERENCES VIRTUALLY WASH OUT FOR OECD AREA AS A WHOLE. U.S. REP (LEDERER) USED LOWER FIGURES FOR BOTH IMPORT AND EXPORT VOLUME THAN SECRETAR-

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IAT, EXPLAINING FURTHER THAT HIS IMPORT FIGURES DID NOT  
TAKE ACCOUNT OF IMPACT ON OIL IMPORTS WHICH MAY RESULT  
FROM CONSERVATION MEASURES ASKED BY PRESIDENT FORD.  
SECRETARIAT CIRCULATED FOLLOWING COMPARISONS OF ITS  
AND COUNTRY EXPERTS' PROJECTIONS OF FOREIGN TRADE  
(PERCENT CHANGES AT ANNUAL RATES FROM PREVIOUS YEAR):

TABLE VI - IMPORT VOLUME

1974 1975

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	C	S	C	S
CANADA		8	7	4 4
U.S.	- 2	- 1	- 3.50	2
JAPAN	- 8.25	0	8.25	3.50
FRANCE	7.75	8.50	6	4.50
GERMANY	0	- 1.50	7	3
ITALY	- 3	- 2.50	- 1	1
U.K.	2.50	3	N.A.	2.50
TOTAL OECD	2	2.50	3.50	3.50

TABLE VII - EXPORT VOLUME

1974 1975

	C	S	C	S
CANADA	-3.25	- 5	2.50	3
U.S.	8	11	- 5	4.50
JAPAN	16	16	5.25	8

FRANCE	12.75	11	10	6
GERMANY	13	14	4	2
ITALY	9	9	6.50	5
U.K.	6.25	7.50	N.A.	4
TOTAL OECD	8.50	9	3.25	4

5. IN KEEPING WITH RECENT CHANGE IN SEQUENCE OF PREPARATORY WORK FOR EPC, SECRETARIAT WILL NOT USE RESULTS OF FORECASTERS MEETING TO REVISE DOCUMENTATION ALREADY PREPARED FOR EPC MEETING NOV. 18 - 19. INSTEAD, ORAL REPORT ON FORECASTERS' DISCUSSIONS WILL BE MADE TO EPC. WASHINGTON AGENCIES MAY WISH TO CONSIDER WHETHER THIS PROCEDURE IS SATISFACTORY OR WHETHER THERE WOULD BE MERIT IN RETURNING TO PREVIOUS PRACTICE OF DRAFTING FINAL EPC DOCUMENTS ONLY AFTER SHORT-TERM FORECASTERS HAVE MET (WHICH, HOWEVER, REQUIRES LONGER INTERVAL BETWEEN TIME SHORT-TERM FORECASTERS MEETING AND HOLDING OF EPC.)

6. CHAIRMAN (FAY) INDICATED NEXT SHORT-TERM FORECASTERS MEETING WILL BE SCHEDULED IN APRIL OR MAY, 1975. HOWEVER, IF EPC IS CONVOKED AGAIN EARLY NEXT YEAR, MAY BE USEFUL CALL SHORT-TERM FORECASTERS TOGETHER IN JANUARY OR FEBRUARY.  
TURNER

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMMITTEE MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Errors:** N/A  
**Film Number:** D740324-0620  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
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**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
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**Previous Handling Restrictions:** n/a  
**Reference:** (A) DOCUMENT DES/NI/F(74)5; (B) OECD  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
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**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005